

Message Text

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ORIGIN EB-11

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TO AMEMBASSY TOKYO PRIORITY

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TAGS: EIND, ETRD, JA, US

SUBJECT: US FERROUS SCRAP EXPORTS

REF: STATE 131410

1. COMMERCE AND STATE MET JULY 5 AND 6 WITH MITI IMPORT ADMINISTRATION SECTION CHIEF WAKASUGI; MITI STEEL ADMINISTRATION SECTION CHIEF SHOYA (WHO PARTICIPATED IN JULY 6 MEETING ONLY); AND JAPANESE EMBOFF KINOSHITA FOR DISCUSSION COORDINATION OF GOJ-USG FERROUS SCRAP LICENSING SYSTEMS.

2. DURING MEETINGS COOK STRESSED IMPORTANCE OF GOJ PROVIDING USG SOONEST INFORMATION ON LEVEL OF SCRAP GOJ PLANS TO LICENSE FOR IMPORT DURING MONTHS OF AUGUST, SEPT AND OCT. THIS INFO VITAL INPUT INTO DEVELOPMENT OF USG LICENSING POLICY FOR AUGUST. JAPANESE SAID THEY WOULD TRY GIVE US IMPORT FIGURES AS SOON AS POSSIBLE- COOK INFORMED JAPANESE THAT DECISION ON USG LICENSING POLICY FOR AUGUST WOULD HAVE LIMITED OFFICIAL USE

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TO BE MADE BY JULY 21-22 AT LATEST IN ORDER GIVE EXPORTERS

ADEQUATE NOTICE-

3. BOTH SIDES AGREED THAT WITH GOJ IMPORT LICENSING SYSTEM COMING INTO FORCE ABOUT JULY 15 IT HIGHLY UNLIKELY JAPANESE WILL BE ABLE REDUCE LEVEL OF SCHEDULED JULY SHIPMENTS. HOWEVER, COOK INFORMED JAPANESE, HIGH LEVEL OF SHIPMENTS SCHEDULED FOR JULY (683,000 TONS, INCLUDING SOME ORDERED FOR

THIRD COUNTRIES) MADE SIGNIFICANT DEFERMENTS IN SHIPMENTS FOR AUGUST AND SUBSEQUENT MONTHS IMPERATIVE IF COMMERCE WAS TO CONTINUE LIBERAL LICENSING POLICY BEYOND JULY. COOK NOTED THAT A ROLLBACK TO AVERAGE JAPANESE MONTHLY IMPORT LEVEL OF 200,000 TO 220,000 TONS DURING AUGUST-DECEMBER 1973 APPEARED NECESSARY IF CY1973 JAPANESE SCRAP IMPORTS FROM US TO BE LIMITED TO FIVE MILLION TONS AS ANNOUNCED BY GOJ. COOK ALSO NOTED THAT CANCELLATION OF JAPANESE SCRAP CONTRACTS LIKELY TO RESULT IN INEQUITIES BETWEEN JAPANESE IMPORTERS, US EXPORTERS, AND SHIPPING LINES, E.G., CANCELLING HIGHER PRICED CONTRACTS IN FAVOR OF LOWER PRICED ONES; CANCELLING FOB CONTRACTS IN FAVOR OF CIF; CANCELLING EAST COAST SHIPMENTS IN FAVOR OF WEST COAST; CANCELLING SHIPMENTS TO BE CARRIED IN US BOTTOMS IN FAVOR OF JAPANESE OR OTHER FOREIGN SHIPPING. TO AVOID OR MINIMIZE SUCH INEQUITIES, COOK SUGGESTED AS ONE POSSIBLE APPROACH THAT JAPANESE NOT RPT NOT CANCEL ANY OF THEIR SCRAP CONTRACTS, BUT RATHER PROGRESSIVELY DEFER THEM. E.G. THOSE SCHEDULED AUGUST SHIPMENTS NOT LICENSED BY GOJ FOR IMPORT IN AUGUST WOULD BE GIVEN PREFERENCE IN LICENSING FOR SEPTEMBER AND OCTOBER IMPORT. ONCE AUGUST SHIPMENTS LICENSED FOR IMPORT OVER SPREADOUT PERIOD, GOJ WOULD PROCEED TO LICENSE SCHEDULED SEPTEMBER SHIPMENTS, ETC., UNTIL ALL ORDERS CURRENTLY ON BOOKS LICENSED FOR IMPORT. IN THIS WAY ALL ORDERS ON BOOKS PRIOR TO JULY 2 WOULD BE FILLED, ALBEIT OVER A LONGER PERIOD OF TIME. JAPANESE PROMISED TO STUDY US VIEWS, AND TO PROVIDE REPLY ON LEVELS OF IMPORTS TO BE LICENSED FOR AUGUST, SEPTEMBER, AND OCTOBER BY JULY 15. (FYI: US SCRAP EXPORTERS SUBSEQUENTLY INDICATED TO COMMERCE THAT THERE ARE A NUMBER OF SERIOUS PROBLEMS IN ROLLING BACK AUGUST SHIPMENTS, INCLUDING SHIP CHARTER LIABILITIES; DAMAGES FOR CONTRACT DEFERMENTS; AND LIMITED OFFICIAL USE

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DELAYS IN OBTAINING RAILROAD CARS FOR MOVEMENT OF SCRAP TO PORTS. COMMERCE STILL STUDYING THESE MATTERS, AND WILL ADVISE. END FYI.)

4. ON ACTUAL GOJ SCRAP IMPORT LICENSING PROCEDURES, MITI OFFICIALS STATED THAT GOJ PLANS TO LICENSE INDIVIDUAL SHIPMENTS RATHER THAN ALLOCATE IMPORT QUOTA FOR REMAINING TONNAGE TO BE IMPORTED INTO JAPAN DURING REMAINDER OF

YEAR AMONG THE APPROXIMATELY 15 SCRAP IMPORTERS IN JAPAN. ONCE GOJ IMPORT LICENSING SYSTEM IS IN EFFECT, COMMERCE PLANS TO AMEND ITS FEDERAL REGISTER SCRAP EXPORT LICENSING NOTICE TO REQUIRE THAT ALL APPLICANTS FOR EXPORT LICENSES COVERING SHIPMENTS TO JAPAN INCLUDE AS PART OF NECESSARY SUPPORTING DOCUMENTS A VALID GOJ IMPORT LICENSE. IN THIS CONNECTION, COOK NOTED THAT BETWEEN JULY 15-21, GOJ WOULD HAVE TO ISSUE IMPORT LICENSES FOR AT LEAST THOSE SHIPMENTS SCHEDULED TO LEAVE US PORTS DURING FIRST PART OF AUGUST,

IN ORDER THAT COMMERCE MAY BEGIN TO PROCESS EXPORT LICENSE APPLICATIONS FOR AUGUST SHIPMENTS.

5. WAKASUGI AND SHOYA DEPARTED WASHINGTON LAST WEEK END FOR TOKYO TO WORK ON DETAILS OF GOJ SCRAP IMPORT LICENSING SYSTEM.

6. IN DISCUSSING SCRAP SITUATION WITH GOJ, EMBASSY REQUESTED TO EMPHASIZE AGAIN THE URGENT NEED FOR GOJ TO PROVIDE USG SOONEST WITH INFORMATION ON QUANTITIES OF SCRAP GOJ PLANS TO LICENSE FOR IMPORT DURING MONTHS OF AUGUST, SEPTEMBER AND OCTOBER. EMBASSY ALSO REQUESTED PROVIDE DEPARTMENT WITH FULL DETAILS OF GOJ SCRAP LICENSING SYSTEM AND PROCEDURES AS SOON AS THIS INFORMATION AVAILABLE. ROGERS

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